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Financial Report

Gravity Drainage District No. 1 of the
Parish of Livingston, State of Louisiana

A Component Unit of the Livingston Parish Council

December 31, 2000

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 06/27/01

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A Component Unit of the Livingston Parish Council

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NEIL G. FERRARI

CERTIFIED PUBLIC ACCOUNTANT
14481 OLD HAMMOND HIGHWAY, SUITE 4
BATON ROUGE, LA 70816

MEMBER OF THE
SOCIETY OF LOUISIANA CPAs

MEMBER OF THE
AMERICAN INSTITUTE OF CPAs

PHONE (225) 272-1177

INDEPENDENT AUDITOR'S REPORT

To the Board of Commissioners of
Gravity Drainage District No. 1 of the
Parish of Livingston, State of Louisiana.

I have audited the accompanying general purpose financial statements of Gravity Drainage District No. 1 of the Parish of Livingston, State of Louisiana, ("the District"), a component unit of the Livingston Parish Council, as of and for the year ended December 31, 2000, as listed in the table of contents. These general purpose financial statements are the responsibility of the District's management. My responsibility is to express an opinion on these general purpose financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of Gravity Drainage District No. 1 of the Parish of Livingston, State of Louisiana, as of December 31, 2000, and the results of its operations for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, I have also issued my report dated May 2, 2001, on my consideration of the District's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of my audit.

Neil G. Ferrari, CPA

Baton Rouge, Louisiana,
May 2, 2001.

NEIL G. FERRARI

CERTIFIED PUBLIC ACCOUNTANT

14481 OLD HAMMOND HIGHWAY, SUITE 4

BATON ROUGE, LA 70816

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SOCIETY OF LOUISIANA CPAs

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PHONE (225) 272-1177

REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Commissioners of
Gravity Drainage District No. 1 of the
Parish of Livingston, State of Louisiana.

I have audited the general purpose financial statements of Gravity Drainage District No. 1 of the Parish of Livingston, State of Louisiana, ("the District"), a component unit of the Livingston Parish Council, as of and for the year ended December 31, 2000, and have issued my report thereon dated May 2, 2001. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the District's general purpose financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered the District's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the general purpose financial statements and not to provide assurance on the internal control over financial reporting. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce

to a relatively low level the risk that misstatements in amounts that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. I noted no matters involving the internal control over financial reporting and its operation that I consider to be material weaknesses.

This report is intended solely for the information and use of management, the Livingston Parish Council, and the Legislative Auditor of the State of Louisiana and is not intended to be and should not be used by anyone other than these specified parties.

Neil B. Ferari, CPA

Baton Rouge, Louisiana
May 2, 2001.

GENERAL PURPOSE FINANCIAL STATEMENTS

COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUPS

Gravity Drainage District No. 1 of the Parish of Livingston, State of Louisiana
A Component Unit of the Livingston Parish Council

December 31, 2000

	<u>Governmental Fund Types</u>		<u>Account Groups</u>		
	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>General Fixed Assets</u>	<u>General Long-Term Debt</u>	<u>Total (Memorandum Only)</u>
ASSETS AND OTHER DEBITS					
Assets:					
Cash and cash equivalents	\$ 242,779	\$ 5,484	\$ 0	\$ 0	\$ 248,263
Investments	633,386	51,416	0	0	684,802
Revenues receivable:					
Ad valorem tax	184,326	0	0	0	184,326
Sales tax	25,719	0	0	0	25,719
Deposits	1,175	0	0	0	1,175
Building, equipment & vehicles	0	0	686,121	0	686,121
Other Debits:					
Amount available in Debt Service Fund	0	0	0	40,000	40,000
Total assets and other debts	<u>\$ 1,087,385</u>	<u>\$ 56,900</u>	<u>\$ 686,121</u>	<u>\$ 40,000</u>	<u>\$ 1,870,406</u>
LIABILITIES, FUND EQUITY, AND OTHER CREDITS					
Liabilities:					
Accounts payable	\$ 9,027	\$ 0	\$ 0	\$ 0	\$ 9,027
Bonds payable	0	0	0	40,000	40,000
Total liabilities	<u>9,027</u>	<u>0</u>	<u>0</u>	<u>40,000</u>	<u>49,027</u>
Equity and Other Credits:					
Investment in general fixed assets	0	0	686,121	0	686,121
Fund balances:					
Reserved for debt service	0	56,900	0	0	56,900
Designated for Gray's Creek Diversion Project	123,140	0	0	0	123,140
Unreserved/undesignated	955,218	0	0	0	955,218
Total equity and other credits	<u>1,078,358</u>	<u>56,900</u>	<u>686,121</u>	<u>0</u>	<u>1,821,379</u>
Total liabilities, equity and other credits	<u>\$ 1,087,385</u>	<u>\$ 56,900</u>	<u>\$ 686,121</u>	<u>\$ 40,000</u>	<u>\$ 1,870,406</u>

The accompanying notes are an integral part of this statement.

**COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUND TYPES**

Gravity Drainage District No. 1 of the Parish of Livingston, State of Louisiana
A Component Unit of the Livingston Parish Council

For the Year Ended December 31, 2000

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Total (Memorandum Only)</u>
REVENUES			
Taxes:			
Sales	\$ 364,575	\$ 0	\$ 364,575
Ad valorem	209,678	0	209,678
Interest income from late payment of ad valorem taxes	1,704	0	1,704
Intergovernmental:			
State of Louisiana revenue sharing	18,655	0	18,655
Investment income	55,009	3,786	58,795
	<u>649,621</u>	<u>3,786</u>	<u>653,407</u>
Total revenues			
	<u>649,621</u>	<u>3,786</u>	<u>653,407</u>
EXPENDITURES			
Current:			
Salaries	187,998	0	187,998
Professional services	71,496	0	71,496
Insurance	44,861	0	44,861
Employee benefits	29,056	0	29,056
Truck operations and maintenance	16,955	0	16,955
Payroll taxes	15,026	0	15,026
Materials and supplies	27,895	0	27,895
Sales tax collection fees	7,294	0	7,294
Office expense	10,292	0	10,292
Commissioners per diem	6,540	0	6,540
Uniforms	3,747	0	3,747
Advertising and printing	1,264	0	1,264
Agent fee	0	251	251
Wetlands mitigation fee	502	0	502
Debt service:			
Principal retirement	0	40,000	40,000
Interest	0	3,540	3,540
Capital outlay	63,462	0	63,462
Intergovernmental	6,976	0	6,976
	<u>493,364</u>	<u>43,791</u>	<u>537,155</u>
Total expenditures			
	<u>493,364</u>	<u>43,791</u>	<u>537,155</u>
Excess of revenues over (under) expenditures	156,257	(40,005)	116,252
Fund balances at beginning of year	922,101	96,905	1,019,006
Fund balances at end of year	<u>\$ 1,078,358</u>	<u>\$ 56,900</u>	<u>\$ 1,135,258</u>

The accompanying notes are an integral part of this statement.

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET (GAAP BASIS) AND ACTUAL - GENERAL FUND**

Gravity Drainage District No. 1 of the Parish of Livingston, State of Louisiana
A Component Unit of the Livingston Parish Council

For the Year Ended December 31, 2000

	Revised Budget	Actual	Variance- Favorable (Unfavorable)
REVENUES			
Taxes:			
Sales	\$ 358,000	\$ 364,575	\$ 6,575
Ad valorem	156,100	209,678	53,578
Interest income from late payment of ad valorem taxes	1,000	1,704	704
Intergovernmental:			
State of Louisiana revenue sharing	27,900	18,655	(9,245)
Investment income	40,000	55,009	15,009
 Total revenues	 583,000	 649,621	 66,621
EXPENDITURES			
Current:			
Salaries	188,000	187,998	2
Professional services	68,500	71,496	(2,996)
Insurance	42,000	44,861	(2,861)
Employee benefits	31,500	29,056	2,444
Truck operations and maintenance	16,500	16,955	(455)
Payroll taxes	15,000	15,026	(26)
Materials and supplies	24,500	27,895	(3,395)
Sales tax collection fees	6,500	7,294	(794)
Office expense	9,300	10,292	(992)
Commissioners per diem	7,500	6,540	960
Uniforms	3,000	3,747	(747)
Advertising and printing	3,500	1,264	2,236
Miscellaneous	500	0	500
Janitorial	100	0	100
Wetlands mitigation fee	500	502	(2)
Capital outlay	100,000	63,462	36,538
Intergovernmental	6,000	6,976	(976)
 Total expenditures	 522,900	 493,364	 29,536
 Excess of revenues over expenditures	 60,100	 156,257	 <u>\$ 96,157</u>
 Fund balance at beginning of year	 922,101	 922,101	
Fund balance at end of year	<u>\$ 982,201</u>	<u>\$ 1,078,358</u>	

The accompanying notes are an integral part of this statement.

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS

Gravity Drainage District No. 1 of the
Parish of Livingston, State of Louisiana

A Component Unit of the Livingston Parish Council

December 31, 2000

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Organization and Nature of Operations:

Gravity Drainage District No. 1 of the Parish of Livingston, State of Louisiana ("the District") was created November 22, 1969, by the Livingston Parish Council, as provided by Louisiana Revised Statute 38:1751. The District is governed by a board of five commissioners who are appointed by the Livingston Parish Council. For the year 2000, the District's regular staff consisted of ten employees, not including its commissioners. The District is authorized to construct, maintain and improve the system of gravity drainage (approximately 360 miles) within Ward Two of Livingston Parish, Louisiana. The main office for the District is located in Denham Springs, Louisiana.

b. Reporting Entity:

The Livingston Parish Council is the financial reporting entity for Livingston Parish, Louisiana. The Livingston Parish Council appoints a voting majority of the District's governing body and can impose its will on the District. Accordingly, the District has been determined to be a component unit of the Livingston Parish Council.

The accompanying financial statements present information only on the funds maintained by the District and do not present information on the Livingston Parish Council, the general government services provided by that governmental unit, or the other governmental units that comprise the financial reporting entity for Livingston Parish, Louisiana.

The District has no entities or organizations which are required to be included in its financial report as component units as defined by Governmental Accounting Standards Board Statement 14.

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (continued)

c. Basis of Statement Presentation:

The accounting and reporting policies of the District conform to generally accepted accounting principles (GAAP) of the United States of America as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. In addition, the accounting and reporting procedures conform to the requirements of Louisiana Revised Statutes 24:514, the *Louisiana Governmental Audit Guide*, and to the industry audit guide, *Audits of State and Local Governmental Units*.

d. Fund Accounting:

The District uses funds and account groups to report its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions relating to certain governmental functions or activities.

A fund is a separate accounting entity with a self-balancing set of accounts. Funds of the District are classified as governmental funds. Governmental funds account for the District's general activities, including the collection and disbursement of specific or legally restricted monies, the acquisition or construction of general fixed assets, and the servicing of general long-term debt. The governmental funds presented in the financial statements are described as follows:

Governmental Fund Types

General Fund:

The General Fund is the general operating fund of the District and accounts for all financial resources, except those required to be accounted for in other funds. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures and the capital improvement costs that are not paid for through other funds are paid from the General Fund.

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (continued)

Governmental Fund Types - (continued)

Debt Service Fund:

The Debt Service Fund is used to account for transactions relating to resources retained and used for the payment of interest and principal on those long-term obligations recorded in the General Long-Term Debt Account Group.

e. Account Groups:

An account group is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources. The following two account groups are not "funds".

General Fixed Assets:

The fixed assets used in governmental fund type operations of the District are accounted for (capitalized) in the General Fixed Assets Account Group and are recorded as expenditures (capital outlays) in the governmental fund types when purchased or constructed.

General Long-Term Debt:

Long-term liabilities expected to be financed from governmental funds are accounted for in the General Long-Term Debt Account Group. Principal and interest payments on long-term liabilities (public improvement bonds) are accounted for in the Debt Service Fund.

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (continued)

f. Basis of Accounting:

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The governmental funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financial uses) in net current assets. The modified accrual basis of accounting is used by the governmental funds. The governmental funds use the following practices in recording revenues, expenditures, and transfers.

Revenue Recognition

Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both "available and measurable." Available means due or past due and receivable within the current period, and collected within the current period or expected to be collected soon enough thereafter to pay liabilities of the current period (normally within 60 days unless special circumstances indicate otherwise). Measurable means the amount can be determined.

The following are the revenue recognition policies used by the District:

- ◆ The District's ad valorem property tax is levied each November 15 on the assessed value listed as of the prior January 1 for all real and business personal property located in the District. This tax becomes delinquent on January 1 of the following year. The assessed value of the taxable property on the tax roll as of January 1, 2000, was approximately \$54,000,000. The tax rate assessed for 2000 to finance the District's normal operations was \$3.66 per \$1,000 of property valuation. There was no assessment for the payment of principal and interest on the public improvement bonds because sufficient funds have already been collected to pay the bonds as they mature.

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (continued)

f. Basis of Accounting: - (continued)

The taxes are generally collected in December of the current year and January and February of the following year. During late April or May, of the year following the year the tax was assessed, the Sheriff's office sends out delinquent notices to the property owners. Soon after the Sheriff has mailed the delinquent notices, he will publish them in the newspaper. After a second publication in the newspaper and at least 30 days from the date of the first publication, the property is advertised for auction. The auction usually takes place in May or June. Properties sold at auction have liens placed on them by their buyers. The Parish will put a lien on any properties not sold at the auction.

Ad valorem taxes are normally recognized as revenue in the current year if collected within sixty days after the end of the year. However, this year property reassessments were made by the Livingston Parish Assessor which delayed the processing and mailing of tax notices by the Sheriff's office approximately one month. As a result, taxes were not paid by the property owners as usual. For this year, the District has extended the period of property tax accrual to 90 days after year end. This will afford more consistency in reporting of revenues from year to year as well as making actual versus budget comparisons more meaningful.

The property tax revenues reported in these financial statements do not include any amounts that are due and remain uncollected by the Sheriff. However, property tax revenues include amounts withheld by the Sheriff to make "on-behalf payments for fringe benefits" which represent the District's pro-rata share of retirement plan contributions for other governmental units. (See Note 7)

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (continued)

f. Basis of Accounting: - (continued)

- ◆ Investment income is composed of interest income, realized gains and losses on the sale of investments, and changes in the fair value of investments. Interest income is recorded when it is both measurable and available. Realized gains and losses on the sale of investments are recorded at the time of sale. Changes in the fair value of investments are recorded based on the current share price of the open-end mutual fund and on the current market price of the U.S. Treasury bonds.
- ◆ State revenue sharing and sales tax revenues are recognized when they are both measurable and available to finance expenses of the current fiscal year.

Expenditures

Expenditures, other than principal and interest on long-term debt, are recognized in the accounting period in which the liability is incurred, if measurable.

Other Financing Sources (Uses)

Transfers between funds that are not expected to be repaid are accounted for as other financing sources (uses). They are recorded when the transfer is made. There were no transfers this year.

g. Budgetary Policy and Budgetary Accounting:

The District prepares an annual operating budget on the modified accrual basis for general activities which is consistent with generally accepted accounting principles (GAAP).

The following procedures are followed in establishing the budgetary data reflected in the financial statements:

- ◆ Before the second Tuesday of November, the District prepares a budget for the next fiscal year which begins January 1. The operating budget includes proposed expenditures and the means of financing them.

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (continued)

g. Budgetary Policy and Budgetary Accounting: -
(continued)

- ◆ The board members discuss the proposed budget at the regular meeting of the Board of Commissioners on the second Tuesday of November and set the date for the special public hearing on the proposed budget.
- ◆ The public hearing to review and discuss the budget is held immediately before the regular meeting of the Board of Commissioners on the second Tuesday in December. The public hearing for the District's 2000 budget was held on December 14, 1999. The public hearing for the District's 2001 budget was held December 12, 2000.
- ◆ During its regular meeting that follows the public hearing, the Board of Commissioners adopts the budget.

Once the budget is approved, it can be amended by approval of a majority of the Board of Commissioners. The process of presenting and approving budget amendments follows a procedure similar to the one used to adopt the initial budget.

There was one amendment made to the budget that was initially adopted for 2000. The amendment was approved at a regular meeting of the District's Board of Commissioners on December 12, 2000. All budget appropriations lapse at year end.

h. Encumbrances:

Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting is used by the General Fund to reserve portions of certain appropriations relating to purchase orders, contracts, and other commitments for the expenditure of resources. In accordance with generally accepted accounting principles, outstanding encumbrances at year end for which goods and services have been received are reclassified as expenditures and accounts payable. For budgetary purposes, appropriations lapse at year end and are either canceled or are re-appropriated in next year's budget. Encumbrances

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (continued)

h. Encumbrances: - (continued)

outstanding at year end, that are reported as reservations of fund balances, do not constitute expenditures or liabilities, but represent commitments that will be re-appropriated and honored next year by the District. At year end, there were no outstanding, significant encumbrances requiring a reservation of the District's fund balance.

i. Cash and Cash Equivalents:

Cash includes amounts in demand deposits, interest-bearing demand deposits, and time deposits. Cash equivalents include amounts in time deposits and those investments with original maturities of 90 days or less. Under state law, the District may deposit funds in demand deposits, interest-bearing demand deposits, or time deposits with state banks organized under Louisiana law or any other state of the United States, or under the laws of the United States. Cash and cash equivalents are presented at cost in the District's balance sheet.

j. Investments:

Investments are limited by Louisiana Revised Statute (R.S.) 33:2955 and the District's investment policy. If the original maturities of investments exceed 90 days, they are classified as investments; however, if the original maturities are 90 days or less, they are classified as cash equivalents.

GASB Statement 31 requires the District to report its investments at fair value in the balance sheet except for investments in non-participating interest-earning contracts, such as non-negotiable certificates of deposit with redemption terms that do not consider market rates. This type of investment is reported using a cost-based measure, provided that the fair value of the contract is not significantly affected by the impairment of the credit standing of the issuer or other factors.

k. Prepaid Items:

Prepaid items are accounted for as expenditures in the period when the money is disbursed.

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (continued)

1. General Fixed Assets and Depreciation:

General fixed assets include any land, buildings, equipment, and vehicles owned by the District. All fixed assets are valued at historical cost or estimated historical cost, if historical cost is not available. No costs have been estimated because historical cost information was available for all fixed assets. In cases where assets are constructed with borrowed money the interest expense paid on the related debt is capitalized as part of the cost of the asset. No depreciation has been provided on assets in the General Fixed Assets Account Group.

It is the District's policy to capitalize purchases of moveable property costing at least \$250 and purchases of real property and improvements costing at least \$1,500. Purchases of moveable property costing less than \$250 may also be capitalized for internal control purposes.

m. Infrastructure:

The District has elected not to capitalize infrastructure. Infrastructure, or public domain general fixed assets, are immovable assets generally of value only to the state or local government. Drainage systems are considered infrastructure. Therefore, new drainage systems and major improvements to existing systems, including related permit applications and environmental impact mitigation fees, are recorded as capital outlays of the General Fund but are not included in the General Fixed Asset account group.

n. Vacation and Sick Leave:

All permanent full-time employees earn from 10 to 20 days of vacation leave each year on their anniversary date depending upon the number of years employed. All permanent full-time employees earn from 20 to 100 hours of sick leave each year depending upon the number of years employed.

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (continued)

n. Vacation and Sick Leave: - (continued)

Vacation and sick leave cannot be accumulated beyond one year. The District has not accrued any expenses relating to unused leave in the financial statements because earned but unused vacation was not a significant amount. The cost of current leave privileges is recognized as a current year expenditure in the General Fund when the leave is actually used.

o. Transfers and Interfund Loans:

Advances between funds which are not expected to be repaid are accounted for as transfers. In those cases where repayment is expected, the advances are accounted for through various "due from" and "due to" accounts.

p. Reservations and Designations of Fund Balances:

Reserved fund balances represent those portions of the fund balance which are either not available for expenditure or legally segregated for a specific future use. Designated fund balances represent tentative plans for future use of financial resources as approved by the Board of Commissioners.

q. Management's Use of Estimates:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results may differ from those estimates.

r. Total Column on the Statements:

The total columns in the General Purpose Financial Statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position or results of operations, in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

Note 2 - CASH AND CASH EQUIVALENTS

At December 31, 2000, the District has cash and cash equivalents totaling \$248,263, as follows:

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Totals</u>
Petty cash	\$ 100	\$ -	\$ 100
Interest bearing demand deposits at Hancock Bank	152,564	5,484	158,048
Certificate of deposit - Hibernia National Bank	<u>90,115</u>	<u>-</u>	<u>90,115</u>
Totals	<u>\$242,779</u> =====	<u>\$ 5,484</u> =====	<u>\$248,263</u> =====

The interest bearing demand deposits at Hancock Bank are represented by two accounts which, when combined as of December 31, 2000, had collected bank balances of \$61,116. Because these bank deposits are covered entirely by federal deposit insurance, GASB Statement 3 categorizes the credit risk of the Hancock Bank deposits as Category 1 because they are fully insured.

The District has time deposits at Hibernia National Bank in addition to the cash equivalent presented in this footnote. A discussion about the credit risk category associated with these deposits can be found in Note 3 to these financial statements.

Petty cash of \$100 is unsecured.

Note 3 - INVESTMENTS

The District's primary purpose for investing is to earn interest income on money that has been determined to be in excess of immediate cash needs. Louisiana Revised Statute 33:2955 sets forth a list of the types of investments in which a political subdivision may invest its temporarily idle funds.

Note 3 - INVESTMENTS - (continued)

Investments at December 31, 2000 consisted of the following:

<u>Type of Investment</u>	<u>Reported Amounts</u>	<u>Maturity</u>	<u>Interest Rate</u>
General Fund:			
Certificates of deposit:			
Hibernia National Bank	\$123,140	03/05/01	6.40%
Hibernia National Bank	97,760	06/11/01	6.14%
Hibernia National Bank	150,000	03/19/01	6.30%
Hibernia National Bank	104,009	03/12/01	6.40%
Mutual Funds:			
Daily Passport Cash Trust	1,087	Demand	5.69%
Putnam U.S. Govt. Income Trust	76,237	Demand	Various
U.S. Treasury Bonds	<u>81,153</u>	08/15/02	4.77%
Total General Fund	<u>633,386</u>		
Debt Service Fund:			
Certificate of deposit:			
Hibernia National Bank	<u>51,416</u>	01/16/01	6.20%
Total Debt Service Fund	<u>51,416</u>		
Total all funds	\$684,802 =====		

The fair values of the District's investments do not materially differ from their reported amounts.

Under state law, bank deposits must be secured by federal deposit insurance or the pledge of securities which are owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal or exceed the amount on deposit with the fiscal agent bank. The pledged securities are to be held in the name of the pledging fiscal agent bank at a holding or custodial bank that is mutually acceptable to both parties.

Note 3 - INVESTMENTS - (continued)

At December 31, 2000, the District had invested \$616,439 in certificates of deposit at Hibernia National Bank. Of this amount, \$90,115 has been presented as a cash equivalent and \$526,324 has been presented as investments in these financial statements. All of the certificates of deposit represent nonparticipating interest-earning investment contracts as described in GASB 31. Accordingly, they have been reported at cost in these financial statements. The certificates of deposit are secured from risk by \$100,000 of federal deposit insurance (Category 1). The remaining \$516,439 is secured by securities with a fair market value of \$770,284 which have been pledged by Hibernia National Bank. GASB Statement 3 categorizes the \$516,439 as an uncollateralized risk (Category 3) because the securities are not in the District's name even though the securities were being held by a custodial bank on behalf of Hibernia National Bank. Although \$516,439 of bank balances are considered uncollateralized (Category 3), Louisiana Revised Statute 39:1229 imposes a statutory requirement on the custodial bank (entity holding the pledged securities) to advertise and sell the pledged securities within 10 days of being notified by the District that the District's bank has failed to pay deposited funds upon demand.

The \$1,087 held in the Edward D. Jones "Daily Passport Cash Trust" money market mutual fund account is protected up to \$500,000 by the Securities Investor Protection Corporation, a non-profit corporation created by Congress that receives revenues from the broker-dealers who are required by law to be SIPC members. SIPC provides protection in the event that Edward D. Jones fails financially and is unable to meet its obligations to its customers. SIPC protection does not cover any decreases in the net asset value of the shares of the money market mutual fund produced by market fluctuations.

Accordingly, the District is at risk for any amounts held in the money market mutual fund. As of December 31, 2000, the Daily Passport Cash Trust's portfolio included about 45.56% of securities which were direct U.S. Treasury obligations and obligations of other U.S. Government agencies.

Note 3 - INVESTMENTS - (continued)

The Putnam U.S. Government Income Trust mutual fund invests only in U.S. Government Securities, such as; obligations issued directly by the U.S. Treasury and obligations issued or guaranteed by U.S. government agencies. There were no sales of this mutual fund during the year; however, \$4,566 of dividends earned were reinvested to buy more shares of the fund.

The District's mutual fund investments have not been assigned a category of credit risk similar to the other investments because this type of investment is not evidenced by securities that exist in physical or book entry form.

U.S. Treasury bonds were purchased on May 13, 1999 for \$75,513. These bonds do not pay periodic interest but are redeemable for their face value of \$88,000 on August 15, 2002.

The fair values of the Putnam U.S. Government Income Trust mutual fund and the U.S. Treasury bonds increased by \$8,943 during 2000. This increase has been recorded as a component of investment income in the current year's combined statement of revenues, expenditures, and changes in fund balance.

Note 4 - RECEIVABLES

The following is a summary of receivables at December 31, 2000:

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Totals</u>
Ad valorem taxes	\$184,326	\$ -	\$184,326
Sales tax	<u>25,719</u>	<u>-</u>	<u>25,719</u>
Total receivables	\$210,045 =====	\$ - =====	\$210,045 =====

The receivable for ad valorem taxes consists of actual collections of 2000 and prior year taxes that have been remitted to the District by the Livingston Parish Sheriff and Tax Collector between January 1 and March 31, 2001. The receivable for sales tax consists of taxes for December, 2000 remitted by the Livingston Parish School Board in January, 2001.

Note 4 - RECEIVABLES - (continued)

Management has deemed it unnecessary to set up an allowance for uncollectible accounts for these receivables because of the certainty of the receivable collections.

Note 5 - CHANGES IN GENERAL FIXED ASSETS

A summary of changes in general fixed assets follows:

	Balance 01-01-00	Additions	Adjustments And Deletions	Balance 12-31-00
Equipment	\$369,335	\$ 62,962	\$ (313)	\$431,984
Vehicles	106,257	-	-	106,257
Building	79,549	-	-	79,549
Land	60,000	-	-	60,000
Furniture & Fixtures	<u>7,831</u>	<u>500</u>	<u>-</u>	<u>8,331</u>
	\$622,972	\$ 63,462	\$ (313)	\$686,121
	=====	=====	=====	=====

Note 6 - RETIREMENT PLANS

The District's employees participate in the federal Social Security program, thus the District is required to remit an amount equal to the employee's contribution. For 2000, the current rate of contributions was 7.65% of an employee's gross pay until the employee's annual gross pay equaled \$76,200. The rate is reduced to 1.45% of an employee's gross pay for amounts which exceed \$76,200. The District does not guarantee any of the benefits granted by the federal Social Security program. None of the District's employees' wages exceeded \$76,200 this year.

On January 1, 1996, the District adopted the Putnam Prototype Simplified Employee Pension Plan (SEP) for its employees. Under this defined contribution plan, individual retirement accounts with Putnam Investments are established for each eligible employee to which the District will make a contribution as determined on a year-to-year basis by the District's Board of Commissioners. Because contributions are made to individual retirement accounts, all contributions received by an employee are 100% vested. The employee may select between several investment options. The District does not guarantee the results of these investments. The District's Board of Commissioners voted to contribute 9.0% of eligible wages (\$87,509) for 2000.

Note 6 - RETIREMENT PLANS - (continued)

Accordingly, \$7,876 was contributed by the District for the eligible employees in 2000. Total gross payroll for all employees, including commissioner per diems, for the year was \$194,538. The employees eligible to participate in the plan cannot elect to contribute to the plan. All contributions must be made by the District.

Contributions cannot exceed the lessor of 15% of each eligible employee's compensation, excluding compensation in excess of \$170,000, or \$30,000. Eligible employees include anyone at least age 21 who has worked for the District three of the last five years, and received at least \$450 of wages during the year. Members of the Board of Commissioners are not eligible to participate in the SEP.

Note 7 - ON-BEHALF PAYMENTS FOR FRINGE BENEFITS

Because the District is one of several governmental agencies receiving proceeds from a property tax assessment, it has to bear a pro-rata share of the pension expense relating to the public employees of Livingston Parish who participate in the Parochial Employee's Retirement System. The District's pro-rata share of the required contribution was \$6,976 which was withheld by the Sheriff from property tax collections to satisfy the District's obligation as an "intergovernmental" expenditure of the General Fund in these financial statements. As described in Note 1f, the District has also increased its property tax revenues by the same amount of the intergovernmental expenditure. None of the District's employees participate in or benefit from any pension plan relating to this expenditure.

Note 8 - CHANGES IN GENERAL LONG-TERM DEBT

The following is a summary of the changes in general long-term debt for the District for the year ended December 31, 2000:

<u>Description Of Debt</u>	<u>Balance 01-01-00</u>	<u>Issued</u>	<u>Retired</u>	<u>Balance 12-31-00</u>
Public improvement bonds	\$ 80,000	\$ -	\$(40,000)	\$ 40,000
Total	\$ 80,000 =====	\$ - =====	\$(40,000) =====	\$ 40,000 =====

Note 8 - CHANGES IN GENERAL LONG-TERM DEBT - (continued)

The long-term debt outstanding at December 31, 2000, consists of the unpaid principal of public improvement bonds which were originally issued for \$700,000 on March 1, 1971. The bonds mature in 2001 at an interest rate of 5.9 percent per annum. At December 31, 2000, there were outstanding interest payments totaling \$1,180. The bonds are secured by an ad valorem tax on real property within Ward Two of Livingston Parish, Louisiana. The combined aggregate amounts of maturities and sinking fund requirements are as follows:

<u>Maturity</u>	<u>Bond Number</u>	<u>Rate</u>	<u>Yearly Payments</u>		<u>Total</u>
			<u>Principal</u>	<u>Interest</u>	
2001	661-700	5.9%	<u>40,000</u>	<u>1,180</u>	<u>41,180</u>
	Totals		\$ 40,000	\$ 1,180	\$ 41,180
			=====	=====	=====

Note 9 - CONTINGENCIES

The District is a defendant in a lawsuit whereby a previous employee has alleged that he was unlawfully terminated and did not receive all his compensation for work performed and for unpaid vacation leave. The District's management and attorney believe this case has no merit and that the District will not have any liability in this matter. The District intends to vigorously defend this matter.

The District is a defendant in a second lawsuit wherein the plaintiff alleges that her property was damaged. No estimate of any potential liability to the District can be made at this time; however, the District has insurance coverage for this incident. The District's management and attorney have consulted and decided to vigorously defend this lawsuit.

Note 10 - INCOME TAXES

The District is exempt from all Federal and Louisiana income taxes.

Note 11 - RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; thefts of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District has purchased commercial insurance to cover or reduce the risk of loss that might arise should one of these incidents occur. There have been no significant reductions in coverage from the prior year. No settlements were made during the current or prior three fiscal years that exceeded the District's insurance coverage.

The District's management has not purchased commercial insurance or made provision to cover or reduce the risk of loss, as a result of business interruption and certain acts of God, like floods or earthquakes.

Note 12 - RELATED PARTY TRANSACTIONS

There were no related party transactions in 2000.

Note 13 - DESIGNATION OF FUND BALANCE

The Board of Commissioners has designated money towards the Gray's Creek Diversion project. This project is necessary to alleviate flooding which frequently occurs in Livingston Parish, Louisiana. The State of Louisiana is expected to provide a grant for this project in the next one to two years and the District will be required to provide matching funds to receive the grant. Until the money is needed, management has invested the money in a certificate of deposit, which has a value of \$123,140 at December 31, 2000, and is included as an investment of the General Fund.

Note 14 - PER DIEM PAID BOARD MEMBERS

Each member of the Board of Commissioners receives a per diem allowance of \$60 for attending each regular or special meeting of the board, not to exceed 24 meetings in one calendar year. Per diems were paid to the commissioners for the year ended December 31, 2000, as follows:

<u>Commissioner</u>	<u>Number of Meetings</u>	<u>Amount Received</u>
Norman Fogg	22	\$1,320
David Gros	22	1,320
Richard Miller, Jr.	22	1,320
George Provost	20	1,200
Jessie Wheat	23	<u>1,380</u>
Total		\$ 6,540 =====

Note 15 - AD VALOREM TAX ASSESSMENT

On November 7, 2000, the residents of Livingston Parish voted not to renew a property tax assessment for the purpose of raising operating revenue for Gravity Drainage District No. 1. As a result, the District will not receive any ad valorem taxes for 2001 or future years unless a continuance is passed. Although this causes a decrease in the amount of revenue that can be expected in 2001, and possibly future years, management believes that there is enough revenue generated, from sales taxes and investments for the District, to maintain its normal level of operations until management can readdress the matter. On July 21, 2001, the voters will be given an opportunity to continue the District's ad valorem tax.

Note 16 - NEW REPORTING STANDARD

In June 1999, the Governmental Accounting Standards Board (GASB) issued Statement 34 "Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments." This Statement establishes new financial reporting requirements for state and local governments throughout the United States. When implemented, it will require new information and restructure much of the information that governments have presented in the past. Comparability with reports issued in all prior years will be affected. The District is required to implement this standard for the fiscal year ending December 31, 2003. The District has not yet determined the full impact that adoption of GASB Statement 34 will have on the financial statements.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Gravity Drainage District No. 1 of the
Parish of Livingston, State of Louisiana

A Component Unit of the Livingston Parish Council

For the Year Ended December 31, 2000

I have audited the financial statements of Gravity Drainage District No. 1 of the Parish of Livingston, State of Louisiana, as of and for the year ended December 31, 2000, and have issued my report thereon dated May 2, 2001. I conducted my audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. My audit of the financial statements as of and for the year ended December 31, 2000 resulted in an unqualified opinion.

Section I - Summary of Auditor's Reports

- a. Report on Internal Control and Compliance Material to the Financial Statements

Internal Control:

Material Weaknesses	_____	Yes	<u> X </u>	No
Reportable Conditions	_____	Yes	<u> X </u>	No

Compliance:

Compliance Material to Financial Statements	_____	Yes	<u> X </u>	No
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- b. Federal Awards

There were not any federal awards. This section is not applicable.

- c. Identification of Major Programs:

This section is not applicable.

Section II - Financial Statements Findings

No matters were reported.

Section III - Federal Award Findings and Questioned Costs

This section is not applicable.

Section IV - Management Letter

No management letter was issued this year

SCHEDULE OF PRIOR YEAR AUDIT FINDINGS

**Gravity Drainage District No. 1 of the
Parish of Livingston, State of Louisiana**

A Component Unit of the Livingston Parish Council

For the Year Ended December 31, 2000

**Section I - INTERNAL CONTROL AND COMPLIANCE MATERIAL TO THE
FINANCIAL STATEMENTS**

There were not any findings reported last year.

**Section II - INTERNAL CONTROL AND COMPLIANCE MATERIAL TO FEDERAL
AWARDS**

Not applicable.

Section III - MANAGEMENT LETTER

No management letter was issued last year.